

~~SECRET~~  
Department of State

INCOMING  
TELEGRAM

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ACTION ARA-05

0172

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INFO OCT-01 SS-14 ISO-00 SP-02 DHA-02 H-01 INR-05  
NSC-05 NSCE-00 CIAE-00 SSO-00 INRE-00 /036 W  
-----012049Z 026539 /64 S

O 011641Z JUN 77  
FM AMEMBASSY GUATEMALA  
TO SECSTATE WASHDC IMMEDIATE 6232  
TREAS DEPT IMMEDIATE

~~SECRET~~ SECTION 1 OF 2 GUATEMALA 3446

~~TOP SECRET~~

TREASURY FOR PETER BRIDGES

E.O. 11652 GDS  
TAGS: OCON, EFIN, SHUM GT  
SUBJ: SECRETARY BLUMENTHAL'S BILATERAL MEETING WITH ARGENTINA  
REF: GUATEMALA 3418, BRIDGES-BITNER TELECCI

AS PER REQUEST BY MR. PETER BRIDGES THERE FOLLOWS MEMCON OF  
SECRETARY BLUMENTHAL'S BILATERAL MEETING WITH ARGENTINE MINISTER  
OF ECONOMY MARTINEZ DE HOZ:

MEMORANDUM OF CONVERSATION

PARTICIPANTS:

ARGENTINA: JOSE ALFREDO MARTINEZ DE HOZ, MINISTER OF ECONOMY  
ALDO LEO CEXAR DIAZ, PRESIDENT OF THE CENTRAL BANK  
DANTE SIMONE, EXECUTIVE DIRECTOR, IMF  
U.S.

MICHAEL BLUMENTHAL, SECRETARY OF TREASURY  
C. FRED BERGSTEN, ASSISTANT SECRETARY OF THE SURY  
ARNOLD WACHMANOFF, DEPUTY ASSISTANT SECRETARY OF TREASURY  
RICHARD ARELLANO, DEPUTY ASSISTANT SECRETARY OF STATE  
EDWARD BITNER, OFFICE OF DEVELOPING NATIONS FINANCE, TREASURY  
TIME AND PLACE: MAY 31, 1977 - U.S. CHANCERY GUATEMALA

SUBJ: BILATERAL MEETING WITH ARGENTINA

MARTINEZ DE HOZ SAID HE WAS GRATEFUL FOR OPPORTUNITY TO EXPLAIN  
PERSONALLY TO SECRETARY BLUMENTHAL THE ECONOMIC PROGRESS THAT  
ARGENTINA HAS MADE SINCE THE ADMINISTRATION OF VIDELA. HE BEGAN  
BY GIVING A DETAILED DESCRIPTION OF THE POLITICAL MACHINATIONS  
LEADING UP TO THE MILITARY TAKEOVER IN 1976 EMPHASIZING  
THAT THE MILITARY RELUCTANTLY ASSUMED POWER WHEN PERON'S WIFE HAD  
LOST CONTROL OF THE POLITICAL SITUATION AND THE ECONOMY HAD REACHED  
"ROCK BOTTOM". HE SAID HE AGREED TO BE MINISTRE OF ECONOMY ONLY  
IF HE HAD THE COMPLETE POLITICAL BACKING OF THE MILITARY AND IF  
HE WOULD HAVE CONTROL OVER ALL MINISTRIES INCLUDING THE ECONOMY.  
THE MILITARY INHERITED A LEGACY OF TERRORIST ORGANIZATIONS WHICH  
PERON HAD BACKED IN ORDER TO OPPOSE THE PREVIOUS GOVERNMENTS  
BUT WHICH ULTIMATELY GOT OUT OF CONTROL.

MARTINEZ DE HOZ REITERATED THE ECONOMIC PROGRESS WHICH HAS  
BEEN MADE UNDER HIS LEADERSHIP BY DIRECTING OUR ATTENTION TO BOOKS  
WITH CHARTS SHOWING INTER ALIA DECREASE IN UNEMPLOYMENT,  
DECREASE IN MONETARY EXPANSION, INCREASE IN AGRICULTURAL PRO-  
DUCTION, ENERGY PRODUCTION AND EXPORTS, REDUCTION IN  
GOVERNMENT DEFICIT, DECLINE IN RATE OF INFLATION, AND IMPROVE-  
MENT IN EXTERNAL SECTOR. HE SAID HE WAS ABLE TO CONVINCE THE  
POPULATION ABOUT THE NECESSITY OF A DECREASED GROWTH IN REAL WAGES  
AS THE PRICE FOR ACHIEVING STABILITY.

BLUMENTHAL SAID HE ADMIRER THE PROGRESS IN THE ECONOMY WHICH  
HAD BEEN MADE AND UNDERSTANDS THE POLITICAL SITUATION STEMMING  
FROM THE TERRORISM WHICH FLOW FROM ARGENTINE GOVERNMENTS. HE STATED  
THE FACT THAT THE ECONOMIC CORRUPTION WITH WHICH HE PREVIOUSLY HAD  
BEEN ACCUSTOMED WAS NOT RELATED TO THE TERRORISM, BUT OF THE  
THEIRSELVES. THE LINK TO THE TERRORISM HAD BEEN BROKEN BY THE  
AND THE GENERAL PATTERNS OF ARGENTINEAN ECONOMY HAD BEEN REESTABLISHED.

DE HOZ IF HE SAW A WAY TO MOVE FROM EXTRA LEGAL METHODS OF CON-  
TROL TO THE NORMAL LEGAL PROCESS IN HANDLING TERRORISTS.

MARTINEZ DE HOZ SAID THAT WHILE ARGENTINA ADMIRES U.S. TRADITIONS  
AND LAWS AND CITED THE COMMON HISTORY, THE PRESENT SITUATION  
IS HIGHLY ABNORMAL STEMMING IN PART BY INHIBITION OF THE JUDICIARY  
TO SENTENCE TERRORISTS BECAUSE OF FEAR OF RETRIBUTION AGAINST  
THEMSELVES AND THEIR FAMILIES. THE POLICE BECAME DISCOURAGED WHEN  
TERRORISTS BROUGHT TO TRIAL WERE ALWAYS SET FREE. THUS, A POLICY  
OF TAKING NO PRISONERS WAS ADOPTED. LIKEWISE, YOUNG MILITARY  
OFFICERS TOOK MATTERS INTO THEIR OWN HANDS. MARTINEZ DE HOZ  
SAID PRESIDENT VIDELA IS COMMITTED TO RESTORING HUMAN RIGHTS.  
CONSIDERABLE PROGRESS HAS BEEN MADE IN WIPING OUT THE TWO MAIN  
TERRORIST GROUPS AND HE ANTICIPATES GRADUAL IMPROVEMENT IN  
RESTORING HUMAN RIGHTS OVER THE NEXT FEW MONTHS.  
BOSTER

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ACTION ARA-06

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INFO OCT-01 SS-14 ISO-00 SP-02 DHA-02 H-0 INR-05  
NSC-05 NSCE-00 CIAE-00 SSO-00 INRE-00 /036 W  
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TO SECSTATE WASHDC IMMEDIATE 6233  
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CONGRESS'S POSITION FIRMLY TO MARTINEZ DE HOZ SUBSEQUENT  
TO THE LATTER'S BILATERAL WITH SECRETARY BLUMENTHAL. U.S.  
EXECUTIVE DIRECTOR RALPH DUNCAN MADE THE SAME CASE ON A  
DIFFERENT OCCASION TO MARTINEZ DE HOZ.  
BOSTER

~~SECRET~~ SECTION 2 OF 2 GUATEMALA 3446

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TREASURY FOR PETER BRIDGES

BLUMENTHAL SAID THAT WHILE WE ARE UNDERSTANDING IF ARGENTINA'S  
PROBLEM AND WE DON'T WISH TO INTERFERE INTERNALLY, THE CARTER  
ADMINISTRATION MUST BE CONSISTENT IN THE PURSUIT OF HUMAN RIGHTS.  
THE HARKIN AMENDMENT REQUIRES US TO VOTE AGAINST LOANS BY THE IDB  
FOR COUNTRIES WITH GROSS VIOLATIONS EXCEPT IN THE CASE OF THE  
NEEDY. THE BADILLO AMENDMENT, WHICH ALREADY HAS PASSED THE HOUSE  
WOULD EXTEND THIS LAW TO OTHER IFI'S. WHILE HUMPHREY  
AMENDMENT WOULD PROVIDE MORE FLEXIBILITY, THE ADMINISTRATION IS AS  
A MATTER OF ITS OWN POLICY AND CONVICTION, COMMITTED TO THE  
ADVANCEMENT OF HUMAN RIGHTS. HE SUGGESTED, THEREFORE, THAT IT  
MIGHT BE ADVISABLE FOR ARGENTINA TO POSTPONE APPLICATIONS FOR  
LOANS UNTIL IT COULD SHOW SOME DEFINITE IMPROVEMENT IN HUMAN RIGHTS.

MARTINEZ DE HOZ SAID THAT PRESIDENT VIDELA IS COMMITTED TO  
RESTORING HUMAN RIGHTS AS SOON AS POSSIBLE. ARGENTINA HAS TWO  
LOANS IN THE PIPELINE FOR IDB CONSIDERATION WHICH COULD BE HELD  
UP. BUT HE IS CONCERNED ABOUT A \$100 MILLION LOAN FOR THE NATIONAL  
DEVELOPMENT BANK WHICH IS BEING CONSIDERED BY THE IDB. HE  
EXPRESSED CONCERN THAT ARGENTINA WOULD NOT BE ABLE TO UTILIZE ITS  
\$300 MILLION QUOTA WITH THE IDB IF THE LOAN WERE DELAYED TO THE  
NEXT FISCAL YEAR. HE SAID HE HOPED THAT THIS LOAN MIGHT GET  
THROUGH THE "NEEDY" LOOPHOLE ON THE GROUNDS OF EMPLOYMENT GENERATION.

BLUMENTHAL RESPONDED BY INDICATING THAT THE IDB LOAN IS VERY  
LIKELY TO PRESENT PROBLEMS FOR US.

MARTINEZ DE HOZ BECAME SOMEWHAT DEFENSIVE AND ASKED WHO  
WORRIES ABOUT HUMAN RIGHTS FOR THE VICTIMS OF THE TERRORISTS.

ARELLANO SAID THERE IS NO WAY OF RATIONALIZING HUMAN RIGHTS  
VIOLATIONS.

IN RESPONSE TO BLUMENTHAL'S QUESTION ABOUT ASSERTIONS OF  
ANTI-SEMITISM IN ARGENTINA, MARTINEZ CLAIMED THERE WAS NO SUBSTANCE  
TO THE CHARGES.

BLUMENTHAL SAID HE BELIEVES THAT THE U.S. POSITION IS CLEAR.  
WE HOPE TO SEE IMPROVEMENT IN HUMAN RIGHTS MADE QUICKLY AND WOULD  
LIKE TO BE INFORMED CONCERNING PROGRESSMADE.

BLUMENTHAL REITERATED U.S. OPPOSITION TO ANY INCREASE IN  
SALARY FOR IDB EXECUTIVE DIRECTORS AND ASKED FOR ARGENTINA'S  
SUPPORT.

MARTINEZ DE HOZ AGREED TO DISCUSS SALARY ISSUE WITH ORTIZ MENA  
WITH THE OBJECTIVE OF HAVING IT PUT ASIDE. HE THEN BROUGHT UP THE  
POSSIBILITY OF INTAL BEING ELIMINATED, OR TRANSFORMED. SINCE  
INTAL IS THE ONLY INTERNATIONAL ORGANIZATION LOCATED IN ARGENTINA  
MARTINEZ DE HOZ IS ANXIOUS THAT IT REMAIN THERE IN SOME FORM.

BERGSTEN SAID THAT AS THE SECRETARY INDICATED IN HIS IDB  
MEETING SPEECH, THE U.S. WISHES TO STUDY THE FUTURE OF INTAL.

MARTINEZ DE HOZ THOUGHT THE SECRETARY FOR BEING ABLE TO SPEAK  
FRANKLY ABOUT THE SITUATION IN ARGENTINA.

AS REPORTED PERTEL CONGRESSMAN BAO LLO EXPLAINED

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